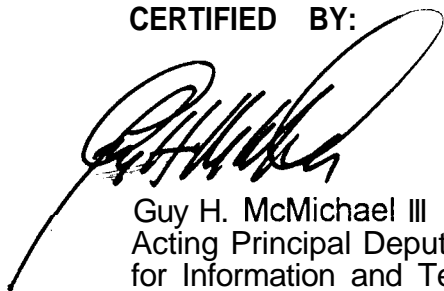


DISPUTE PROCEDURES FOR BENEFIT DEBTS (VBA AND VHA)

- 1. REASON FOR ISSUE:** To revise Department of Veterans Affairs (VA) debt management procedures formerly contained in VA Manual MP-4, Part VIII, Chapter 20.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This handbook establishes the procedural guidelines that are specific to the procedures for handling the dispute of Veterans Benefits Administration (VBA) and Veterans Health Administration (VHA) benefit debts.
- 3. RESPONSIBLE OFFICE:** Cash and Debt Management Division (047GC1), Office of the Deputy Assistant Secretary for Finance.
- 4. RELATED DIRECTIVE:** VA Directive 4800, Debt Management,
- 5. RESCISSIONS:** VA Manual MP-4, Part VIII, Chapter 20, dated September 22, 1992.

CERTIFIED BY:



Guy H. McMichael III
Acting Principal Deputy Assistant Secretary
for Information and Technology

BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS



D. Mark Catlett
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Distribution:

DISPUTE PROCEDURES FOR BENEFIT DEBTS (VBA AND VHA)

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DISPUTE PROCEDURES FOR BENEFIT DEBTS (VBA AND VHA)

1. PURPOSE AND SCOPE. This handbook establishes standardized Department-wide procedures for handling the dispute of Veterans Benefits Administration (VBA) and Veterans Health Administration (VHA) benefit debts.

2. RESPONSIBILITY. The Chief of the fiscal activity must ensure that appropriate procedures in accordance with this Handbook are followed when disputes of benefit debts arise.

3. GENERAL. Title 38 U.S.C. 5314 and recent decisions by the U.S. Court of Appeals for Veterans Claims give claimants the right to dispute the existence and/or amount of a VA benefit, medication copayment, or home loan program debt. When a person charged with a debt exercises his/her right to dispute in a timely manner, either separately or in conjunction with the right to request a waiver of the debt, the person is entitled to an initial administrative determination of the correctness of the debt before deductions to recover the debt can be made from future benefit payments.

4. FIRST COLLECTION LETTERS. The first collection letters generated by the Centralized Accounts Receivable System (CARS) or prepared by Fiscal activities responsible for debt collection will include an explanation of the right to dispute the existence or amount of the debt and request waiver at the same time.

5. FIELD STATION/FACILITY ACTION ON DISPUTES

a. When a debtor disputes a debt and requests waiver at the same time, a verification audit/analysis of the debt should be immediately prepared and sent to the debtor and a copy placed in the claims folder/loan docket. A copy should also be attached to the waiver request sent to the Committee on Waivers and Compromises (COWC). Appendix A has examples of recommended letters to be sent to persons disputing a debt. If the audit indicates that a debt does not exist or the amount is incorrect, the receivable will be canceled or adjusted accordingly and the claimant will be advised.

(1) VBA fiscal activities will verify the existence and amount of benefit debts under station jurisdiction except for loan guaranty debts. The Loan Guaranty Division is responsible for verifying the existence and amount of loan guaranty debts. Fiscal activities will also prepare audits on debts maintained in CARS when requested by the Debt Management Center (DMC).

(2) The Medical Administration Service (MAS) will verify medical care charges billed by preparing a written audit. Note: *Debts arising from medical services furnished solely on an emergency or humanitarian basis, per diem charges for hospital care or nursing home care, or third-party claims cannot be considered for waiver.*

(3) The DMC will verify the existence and amount of benefit debts maintained in CARS, except for loan guaranty debts. The Loan Guaranty Division of jurisdiction is responsible for verifying the existence and amount of loan guaranty debts. If the DMC does not have sufficient data to prepare an audit, the appropriate regional office fiscal activity will be asked to do so.

b. Offset of benefits will not commence if the debtor disputes the debt within 30 days from the date of the first demand for repayment. However, once an audit request that validates the debt has been mailed to the debtor, offset of benefits will not be delayed or deferred unless the debtor has also requested a waiver, in which case offset of benefits will be deferred until the COWC has reached a decision to deny the waiver request.

c. Offset of benefits will not be delayed or deferred if correspondence disputing a debt is received more than 30 days after the date of the first demand for repayment, but the debtor will immediately be furnished an audit of the account.

NOTE: An exception to paragraphs 5b and 5c would occur when a Chapter 32 participant requests a refund of his/her contributions and the TARGET master record reflects existence of a Chapter 32 overpayment. Offset from contributions to apply to the Chapter 32 overpayment will not be delayed even though correspondence disputing the debt and/or requesting waiver of the debt is received within 30 days from the date of the first demand for repayment. The debtor will be furnished an audit of the account. If the audit does not verify existence of a debt or if waiver of the debt is granted, the amount offset will be promptly refunded. (Ref. 38 CFR 1.912a).

6. NOTICE OF DISAGREEMENT (NOD)

a. If VA determines the debt is valid, then any waiver request should be referred to the COWC. If the debt is not fully waived by the COWC, the debtor must be advised of the decision on both the validity of the debt and the waiver issues, and be informed of his right to appeal. If the debtor then files a Notice of Disagreement (NOD), the subsequent Statement of the Case must fully discuss both the validity of the debt and the reasons for not waiving the debt. If the veteran appeals both issues, the Board of Veterans Appeals will fully consider and decide both issues.

b. On debts maintained in CARS or other DMC systems, the DMC will forward the NOD to the regional office fiscal activity who will log it in and forward it on to the Adjudication/Loan Guaranty Division for review and preparation of the Statement of Case, if necessary. Adjudication/Loan Guaranty will return the Statement of Case to the fiscal activity for forwarding to the DMC or the debtor, as appropriate. A copy of the Statement of Case will be filed in the debtor's claims folder. VHA fiscal activities will forward NODs to MAS for preparation of the Statement of Case.

7. REFERRALS FOR ENFORCED COLLECTION. Debts in dispute are not to be referred for enforced collection, to private collection contractors, or to the Treasury Department for administrative offset or cross-servicing until the dispute and any waiver request and appeal is settled. If a case is disputed or a waiver is requested timely, but after a litigation referral has been made, the Regional Counsel (RC) must be requested to provide guidance on how the dispute should be handled. Contracts with private collection contractors and agreements with the Treasury Department will dictate how such cases are handled when a dispute or waiver is received after referral.

MAY 21, 2001

VA HANDBOOK 4800.2
APPENDIX A

LETTER TO BE SENT IF DISPUTE IS RECEIVED
WITHIN 30 DAYS FROM DATE OF FIRST DEMAND LETTER

Mr. Vince Veteran
810 American Ave.
Miami, FL 33180

Dear Mr. Veteran:

Shown below is an audit of your benefit payment account, reflecting only the periods shown:

The above audit, prepared as a result of your dispute of your indebtedness, verifies the existence and the amount of the overpayment of which you were previously notified. Any current benefit payments due to you will be withheld until the debt is paid in full.

Sincerely yours,

John Q. Fed
Finance Officer

MAY 21, 2001

LETTER TO BE SENT IF DISPUTE IS RECEIVED
AFTER 30 DAYS FROM DATE OF FIRST DEMAND FOR REPAYMENT

Mr. Vince Veteran
810 American Ave.
Miami, FL 33180

Dear Mr. Veteran:

Shown below is an audit of your benefit payment account, reflecting only the periods shown:

The above audit, prepared as a result of your dispute of your indebtedness, verifies the existence and the amount of the overpayment of which you were previously notified.

Sincerely yours,

John Q. Fed
Finance Officer

MAY 21, 2001

VA HANDBOOK 4800.2
APPENDIX A

LETTER TO BE SENT IF DISPUTE/WAIVER REQUEST IS
RECEIVED WITHIN 30 DAYS FROM DATE OF FIRST DEMAND FOR
REPAYMENT

Mr. Vince Veteran
810 American Ave
Miami, FL 33180

Dear Mr. Veteran:

Shown below is an audit of your benefit payment account, reflecting only the periods shown:

The above audit, prepared as a result of your dispute of your indebtedness, verifies the existence and the amount of the overpayment of which you were previously notified. Your request for waiver has been forwarded to our Committee on Waivers and Compromises. Any current benefit payments due to you will not be withheld until a decision is reached on your waiver request.

Sincerely yours,

John Q. Fed
Finance Officer

MAY 21, 2001

LETTER TO BE SENT IF DISPUTE/WAIVER REQUEST
IS RECEIVED AFTER 30 DAYS FROM DATE OF FIRST DEMAND FOR
REPAYMENT

Mr. Vince Veteran
810 American Ave.
Miami, FL 33180

Dear Mr. Veteran:

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